

BRIAN HIGGINS  
27TH DISTRICT, NEW YORK

COMMITTEE ON WAYS AND MEANS  
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GREAT LAKES TASK FORCE

HOUSE CANCER CAUCUS

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515-3227

May 11<sup>th</sup>, 2010

Julius Genachowski  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
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*WCB*  
*USF*  
*Contrib*  
*pv*  
*SC*  
*MM3*

**Re: Reports of Universal Service Fund subsidizing free cell phones**

Dear Chairman Genachowski,

I am writing to express my concern about media reports that a portion of the funding issued through the FCC Universal Service Fund (USF) is being used to provide free cell phones and blocks of minutes to consumers in New York.

Specifically, I understand that a company called Safelink is offering free phones and minutes to start cell phone service. In their promotional materials the company indicates that "SafeLink Wireless was created by TracFone Wireless, Inc. when the Federal Communications Commission (FCC) recently approved the company to offer Lifeline -- a public assistance program that ensures telephone service is available and affordable for low-income subscribers. SafeLink Wireless applies the Universal Service Fund subsidy to an allotment of free airtime minutes and TracFone provides the wireless handset at the company's expense. Instead of receiving a subsidized monthly telephone bill for Lifeline service, SafeLink converts the total amount of discounted service into minutes each month for one year." I am concerned that the use of these funds outside of the normal parameters of the program is both inappropriate and unacceptable. Many are understandably upset at reports that their contribution to the USF is being used to subsidize free cell phones and minutes for other families.

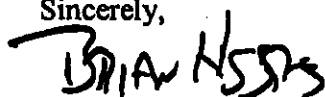
The great majority of cell phone providers in Western New York participate in the USF. Many of these companies charge fees on their statements to consumers who then bare the cost of this program. In light of the SafeLink advertisement, Western New Yorkers are rightly concerned that their contribution to the USF is going to subsidize a free cell phone and minutes for their neighbors.

To that end I would appreciate your assistance in answering the following questions: Is SafeLink using federal funds to provide free or discounted cell phones or minutes to customers? Is SafeLink using monies from funds paid into by New York consumers to provide free or discounted cell phones or minutes? Is providing a free mobile phone or minutes a valid use of

federal funds or USF funds? I also welcome any insight you can provide that will assist me and my community in understanding exactly what is going on here.

I understand the goals of the USF program to provide low income families with a jumpstart to purchase phone plans and service. However it is unfair to ask working families of Western New York to pay for free cell phones and minutes for their neighbors. To that end I look forward to your response.

Sincerely,

A handwritten signature in black ink that reads "BRIAN HIGGINS". The signature is stylized with a large, sweeping initial "B" and a long, horizontal stroke extending to the right.

Brian Higgins  
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

August 11, 2010

The Honorable Brian Higgins  
U.S. House of Representatives  
431 Cannon House Office Building  
Washington, D.C. 20515

Dear Congressman Higgins:

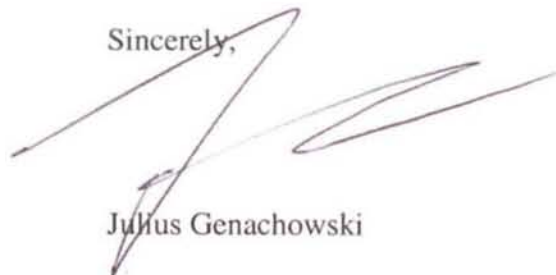
I appreciate knowing of your concerns about promotional materials distributed by TracFone Wireless and whether or not this company's use of Lifeline funds is within the parameters of the Universal Service Fund (USF). I share your concern that the tone and tenor of the TracFone commercials may have trivialized an important government program. Lifeline is just that – an essential safeguard for our most vulnerable consumers.

The Universal Service Fund's Lifeline and Link Up programs ensure that more than seven million low-income consumers receive access to basic, local telephone service. The underlying premise of the Universal Service Fund is that all Americans should have affordable communications services, whether to reach 9-1-1 assistance in an emergency, to obtain critical social resources, or to maintain contact with family and support mechanisms. Under current law, interstate telecommunications carriers are required to contribute to USF and they are permitted to pass this cost on to customers.

Lifeline provides TracFone with funding to permit eligible low-income consumers to receive discounts on prepaid wireless service through the company's SafeLink service. The Commission examined and approved TracFone's proposal because of the changing habits of consumers, many of whom no longer rely on traditional landline phone service as their primary means of communications. The Commission's *Order* hinged on TracFone's verification that its customers would receive only one Lifeline discount per household, as well as other limitations. The Universal Service Administrative Company will monitor TracFone's distribution of Lifeline funds to ensure strict compliance with the FCC's regulations.

I am enclosing the Commission's *Order* approving TracFone's universal service applications so that you can see first hand the stringent safeguards that we placed on this company's use of funds. I appreciate your interest in this important matter and please contact me again if I can be of further assistance.

Sincerely,



Julius Genachowski

Enclosure